

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Net Assets	J	22
Notes to Financial Statements		23-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	37
Schedule of Changes in Fiduciary Net Assets and Liabilities - Agency Fund	4	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5	39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		40-41
Schedule of Findings		42-44

Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Dennis Alvis	President	2006
Dan Cohrs	Vice President	2008
Kevin Mann	Board Member	2006
Linda Hennessy	Board Member	2007
Mike Branstetter	Board Member	2007
Board of Education (After September 2006 Election)		
Dennis Alvis	President	2009
Linda Hennessy	Vice President	2007
Kevin Mann	Board Member	2009
Dan Cohrs	Vice President	2008
Mike Branstetter	Board Member	2007
School Officials		
James Hammrich	Superintendent	2007
Karen Jacobsen	District Secretary	2007
Mundt, Franck and Schumacher	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Logan-Magnolia Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2008 on our consideration of the Logan-Magnolia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan-Magnolia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Logan-Magnolia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,252,859 in fiscal 2006 to \$5,709,072 in fiscal 2007, while General Fund expenditures increased from \$5,225,325 in fiscal 2006 to \$5,660,362 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$529,619 in fiscal 2006 to a balance of \$597,453 in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in state source revenues in fiscal 2007. The increase in expenditures can be attributed to increases in negotiated salaries and benefits paid to District employees.
- The increase in General Fund balance allowed the District's solvency ratio to increase from 8.2% in fiscal 2006 to 9.3% in fiscal 2007.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Logan-Magnolia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Logan-Magnolia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Logan-Magnolia Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

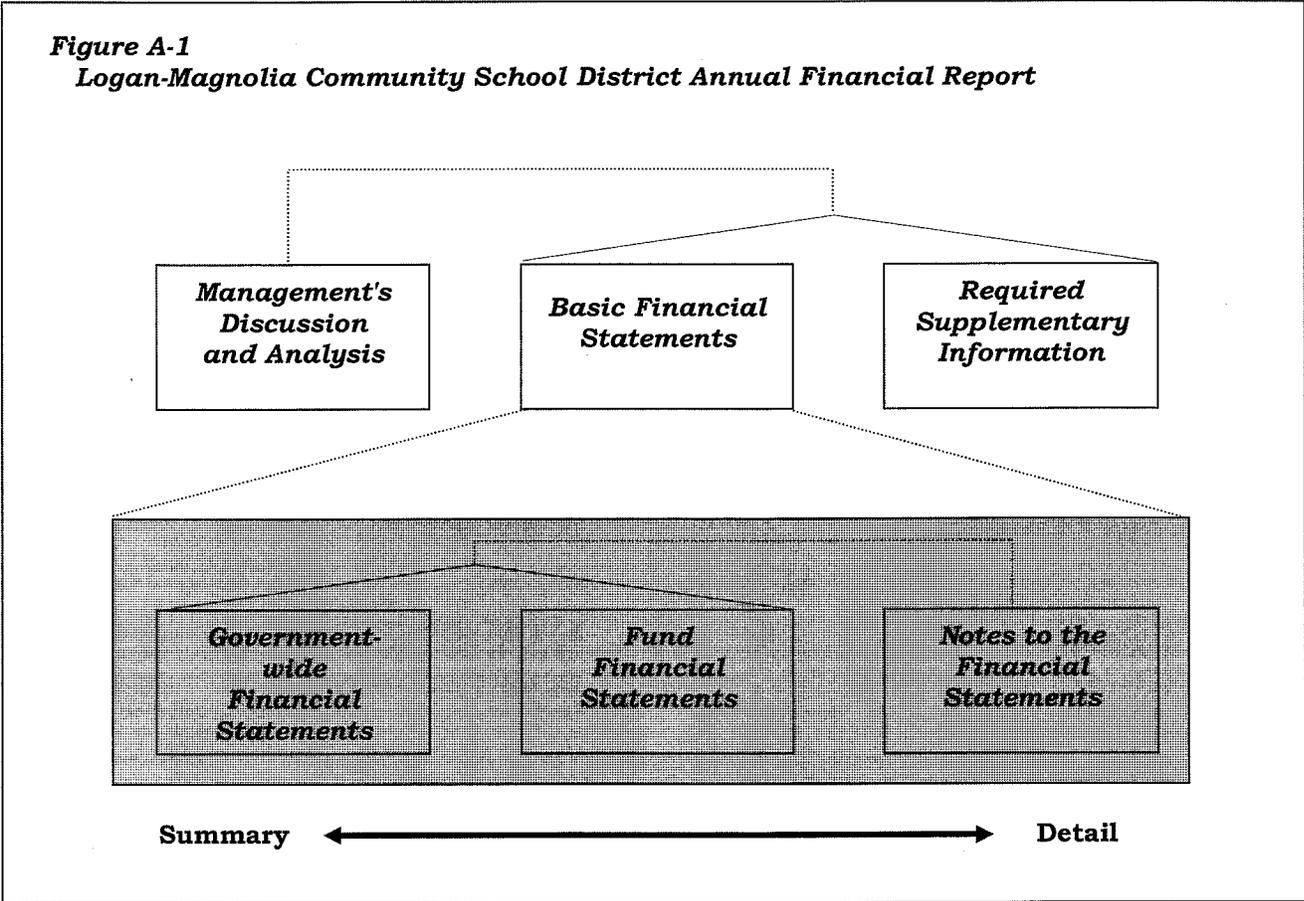


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund - These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the Agency Fund include a statement of fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 3,770,163	3,894,034	30,762	28,224	3,800,925	3,922,258	-3.09%
Capital assets	6,776,711	6,940,240	11,628	6,958	6,788,339	6,947,198	-2.29%
Total assets	10,546,874	10,834,274	35,182	35,182	10,582,056	10,869,456	-2.64%
Long-term obligations	3,280,596	3,492,052	0	0	3,280,596	3,492,052	-6.06%
Other liabilities	2,313,984	2,816,361	7,106	10,492	2,321,090	2,826,853	-17.89%
Total liabilities	5,594,580	6,308,413	7,106	10,492	5,601,686	6,318,905	-11.35%
Net assets:							
Invested in capital assets, net of related debt	3,526,711	3,744,147	11,628	6,958	3,538,339	3,751,105	-5.67%
Restricted	778,924	231,859	0	0	778,924	231,859	235.95%
Unrestricted	646,659	549,855	23,656	17,732	670,315	567,587	18.10%
Total net assets	\$ 4,952,294	4,525,861	35,284	24,690	4,987,578	4,550,551	9.60%

The District's combined net assets increased by \$437,027, or 9.60% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$547,065, or 235.95% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$102,728, or 18.10%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 681,397	639,474	201,441	194,597	882,838	834,071	5.85%
Operating grants and contributions and restricted interest	736,757	575,246	133,451	133,106	870,208	708,352	22.85%
General revenues:							
Local tax	1,868,539	1,826,375	0	0	1,868,539	1,826,375	2.31%
Local option sales and service tax	489,140	192,629	0	0	489,140	192,629	153.93%
Unrestricted state grants	2,853,574	2,727,078	0	0	2,853,574	2,727,078	4.64%
Other	161,440	107,057	781	435	162,221	107,492	50.91%
Total revenues	6,790,847	6,067,859	335,673	328,138	7,126,520	6,395,997	11.42%
Program expenses:							
Governmental activities:							
Instruction	4,019,223	3,612,489	0	0	4,019,223	3,612,489	11.26%
Support services	1,835,886	1,662,074	1,641	0	1,837,527	1,662,074	10.56%
Non-instructional programs	0	0	323,438	327,522	323,438	327,522	-1.25%
Other expenses	509,305	546,677	0	0	509,305	546,677	-6.84%
Total expenses	6,364,414	5,821,240	325,079	327,522	6,689,493	6,148,762	8.79%
Change in net assets	426,433	246,619	10,594	616	437,027	247,235	76.77%
Net assets beginning of year	4,525,861	4,279,242	24,690	24,074	4,550,551	4,303,316	5.75%
Net assets end of year	\$ 4,952,294	4,525,861	35,284	24,690	4,987,578	4,550,551	9.60%

In fiscal 2007, local tax and unrestricted state grants account for 76.74% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.77% of the revenue from business type activities.

The District's total revenues were approximately \$7.13 million of which \$6.79 million was for governmental activities and less than \$0.34 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.42% increase in revenues and an 8.79% increase in expenses. Unrestricted state grants increased \$126,496 and local option sales and service tax increased \$296,511 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$6,790,847 and expenses were \$6,364,414.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 4,019,223	3,612,489	11.26%	2,869,821	2,610,656	9.93%
Support services	1,835,886	1,662,074	10.46%	1,775,348	1,640,434	8.22%
Other expenses	509,305	546,677	-6.84%	301,091	355,430	-15.29%
Totals	<u>\$ 6,364,414</u>	<u>5,821,240</u>	<u>9.33%</u>	<u>4,946,260</u>	<u>4,606,520</u>	<u>7.38%</u>

- The cost financed by users of the District’s programs was \$681,397.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$736,757.
- The net cost of governmental activities was financed with \$1,868,539 in local tax, \$489,140 in local option sales and service tax, \$2,853,574 in unrestricted state grants, and \$108,251 in interest income.

Business-Type Activities

Revenues of the District’s business-type activities were \$335,673 and expenses were \$325,079. The District’s business-type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Logan-Magnolia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,350,492 above last year’s ending fund balances of \$979,644. The primary reason for the increases was the gains made in fund balance by the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District’s improving General Fund financial position is the product of many factors. Increases in state grants caused the increase in revenues. The increase in revenues was more than enough to offset the increase in expenditures thus ensuring the improvement in General Fund balance.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$30,729 to \$39,911 due to a slight increase in fund revenues coupled with a decrease in fund expenditures when compared to the previous year.

- The Capital Projects fund balance increased from \$292,715 in fiscal 2006 to \$612,734 in fiscal 2007 primarily because of the increase in local option sales and service tax collected by the District.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$11,749 at June 30, 2006 to \$23,683 at June 30, 2007, representing an increase of approximately 101.6%. Most of this increase is attributable to the purchase of two new ovens for the Nurtrition Fund for a cost of \$9,500.

The Latch Key Fund did not fare as well during fiscal 2007. Latch Key Fund net assets dropped from \$12,941 at June 30, 2006 to \$11,601 at June 30, 2007.

BUDGETARY HIGHLIGHTS

The District's revenues were \$356,992 less than budgeted revenues, a variance of 4.8%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$6.79 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.3% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$244,920.

The original cost of the District's capital assets was \$9,268,072. Governmental funds account for \$9,108,027 with the remainder of \$160,045 in the Proprietary, School Nutrition Fund.

The largest dollar change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,044,692 at June 30, 2006 as compared to \$5,893,960 at June 30, 2007. This decrease is a result of depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.0%
Buildings	5,893,960	6,044,692	0	0	5,893,960	6,044,692	-2.5%
Land improvements	21,956	14,243	0	0	21,956	14,243	54.2%
Machinery and equipment	285,795	306,305	11,628	6,958	297,423	313,263	-5.1%
Total	\$ 6,776,711	6,940,240	11,628	6,958	6,788,339	6,947,198	-2.3%

Long-Term Debt

At June 30, 2007, the District had long-term debt outstanding of \$3,280,596 in general obligation bonds and early retirement. This represents a decrease of approximately 6.1% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$3,250,000 at June 30, 2007.

At June 30, 2007, the District also had total outstanding early retirement payable of \$30,596 from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2007	2006	2006-07
General obligation bonds	\$ 3,250,000	3,490,000	-6.9%
Early retirement	30,596	2,052	1391.0%
Total	<u>\$ 3,280,596</u>	<u>3,492,052</u>	<u>-6.1%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- District enrollment appears to stay the same with only minor changes. This is a definite asset to the District.
- With all the new facilities and a bus fleet that is going to be updated within the next few years on a rotation basis, the District should be able to operate on a daily basis without a large amount of capital outlay.
- The District is striving to maintain a positive balance between revenues and expenditures to ensure the health of the District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Karen Jacobsen, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2nd Avenue, Logan, Iowa, 51546.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,497,098	18,683	1,515,781
Receivables:			
Property tax:			
Delinquent	33,047	0	33,047
Succeeding year	1,769,698	0	1,769,698
Income surtax	115,866	0	115,866
Accounts	6,545	6,267	12,812
Due from other governments	347,909	0	347,909
Inventories	0	5,812	5,812
Capital assets, net of accumulated depreciation (Note 4)	6,776,711	11,628	6,788,339
TOTAL ASSETS	10,546,874	42,390	10,589,264
LIABILITIES			
Accounts payable	25,905	812	26,717
Interest payable	10,179	0	10,179
Salaries and benefits payable	508,202	3,322	511,524
Deferred revenue:			
Succeeding year property tax	1,769,698	0	1,769,698
Unearned revenue	0	2,972	2,972
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	235,000	0	235,000
Early retirement	5,480	0	5,480
Portion due after one year:			
General obligation bonds	3,015,000	0	3,015,000
Early retirement	25,116	0	25,116
TOTAL LIABILITIES	5,594,580	7,106	5,601,686
NET ASSETS			
Invested in capital assets, net of related debt	3,526,711	11,628	3,538,339
Restricted for:			
Talented and gifted	43,338	0	43,338
Market factor	1,000	0	1,000
Physical plant & equipment levy	39,911	0	39,911
Capital projects	612,734	0	612,734
Debt service	15,108	0	15,108
Other special revenue purposes	66,833	0	66,833
Unrestricted	646,659	23,656	670,315
TOTAL NET ASSETS	\$ 4,952,294	35,284	4,987,578

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Charges for Services	Contributions and Restricted Interest	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,490,751	281,818	488,336	(1,720,597)	0	(1,720,597)
Special instruction	776,618	97,213	34,881	(644,524)	0	(644,524)
Other instruction	751,854	242,537	4,617	(504,700)	0	(504,700)
	<u>4,019,223</u>	<u>621,568</u>	<u>527,834</u>	<u>(2,869,821)</u>	<u>0</u>	<u>(2,869,821)</u>
Support services:						
Student services	159,942	0	0	(159,942)	0	(159,942)
Instructional staff services	203,771	0	0	(203,771)	0	(203,771)
Administration services	579,851	0	0	(579,851)	0	(579,851)
Operation and maintenance of plant services	554,771	0	0	(554,771)	0	(554,771)
Transportation services	337,551	59,829	709	(277,013)	0	(277,013)
	<u>1,835,886</u>	<u>59,829</u>	<u>709</u>	<u>(1,775,348)</u>	<u>0</u>	<u>(1,775,348)</u>
Other expenditures:						
Facilities acquisitions	21,886	0	0	(21,886)	0	(21,886)
Long-term debt interest	127,278	0	0	(127,278)	0	(127,278)
AEA flowthrough	208,214	0	208,214	0	0	0
Depreciation(unallocated)*	151,927	0	0	(151,927)	0	(151,927)
	<u>509,305</u>	<u>0</u>	<u>208,214</u>	<u>(301,091)</u>	<u>0</u>	<u>(301,091)</u>
Total governmental activities	6,364,414	681,397	736,757	(4,946,260)	0	(4,946,260)
Business-Type activities:						
Support services:						
Student services	1,246	0	0	0	(1,246)	(1,246)
Administration services	395	0	0	0	(395)	(395)
Non-instructional programs:						
Latch Key	34,923	30,687	0	0	(4,236)	(4,236)
Nutrition services	288,515	170,754	133,451	0	15,690	15,690
Total business-type activities	<u>325,079</u>	<u>201,441</u>	<u>133,451</u>	<u>0</u>	<u>9,813</u>	<u>9,813</u>
Total	<u>\$ 6,689,493</u>	<u>882,838</u>	<u>870,208</u>	<u>(4,946,260)</u>	<u>9,813</u>	<u>(4,936,447)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,666,916	0	1,666,916
Debt service				167,559	0	167,559
Capital outlay				34,064	0	34,064
Local option sales and services				489,140	0	489,140
Unrestricted state grants				2,853,574	0	2,853,574
Unrestricted investment earnings				108,251	781	109,032
Other				53,189	0	53,189
Total general revenues				<u>5,372,693</u>	<u>781</u>	<u>5,373,474</u>
Changes in net assets				426,433	10,594	437,027
Net assets beginning of year				4,525,861	24,690	4,550,551
Net assets end of year				<u>\$ 4,952,294</u>	<u>35,284</u>	<u>4,987,578</u>

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental		Total
			Funds		
ASSETS					
Cash and pooled investments	\$ 937,712	417,242	142,144		1,497,098
Receivables:					
Property tax					
Delinquent	27,704	0	5,343		33,047
Succeeding year	1,478,988	0	290,710		1,769,698
Income surtax	115,866	0	0		115,866
Accounts	6,545	0	0		6,545
Due from other governments	152,417	195,492	0		347,909
TOTAL ASSETS	\$ 2,719,232	612,734	438,197		3,770,163
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,723	0	7,182		25,905
Salaries and benefits payable	508,202	0	0		508,202
Deferred revenue:					
Succeeding year property tax	1,478,988	0	290,710		1,769,698
Income surtax	115,866	0	0		115,866
Total liabilities	2,121,779	0	297,892		2,419,671
Fund balances:					
Reserved for:					
Debt service	0	0	15,108		15,108
Talented and gifted	43,338	0	0		43,338
Market factor	1,000	0	0		1,000
Other	24,223	0	0		24,223
Unreserved:					
Undesignated	528,892	612,734	125,197		1,266,823
Total fund balances	597,453	612,734	140,305		1,350,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,719,232	612,734	438,197		3,770,163

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 1,350,492
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	6,776,711
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,179)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(3,280,596)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	115,866
	<hr style="width: 100%;"/>
Net assets of governmental activites (page 13)	<u>\$ 4,952,294</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,579,716	0	281,695	1,861,411
LOSST	0	489,140	0	489,140
Tuition	352,693	0	0	352,693
Other	218,366	36,346	267,466	522,178
State sources	3,397,183	0	0	3,397,183
Federal sources	161,114	0	0	161,114
Total revenues	<u>5,709,072</u>	<u>525,486</u>	<u>549,161</u>	<u>6,783,719</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,405,535	0	60,400	2,465,935
Special instruction	774,728	0	0	774,728
Other instruction	470,084	0	267,944	738,028
	<u>3,650,347</u>	<u>0</u>	<u>328,344</u>	<u>3,978,691</u>
Support services:				
Student services	161,302	0	0	161,302
Instructional staff services	204,441	0	0	204,441
Administration services	579,851	0	0	579,851
Operation and maintenance of plant services	525,177	0	33,304	558,481
Transportation services	331,030	0	11,383	342,413
	<u>1,801,801</u>	<u>0</u>	<u>44,687</u>	<u>1,846,488</u>
Other expenditures:				
Facilities acquisitions	0	5,467	25,327	30,794
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	127,808	127,808
AEA flowthrough	208,214	0	0	208,214
	<u>208,214</u>	<u>5,467</u>	<u>393,135</u>	<u>606,816</u>
Total expenditures	<u>5,660,362</u>	<u>5,467</u>	<u>766,166</u>	<u>6,431,995</u>
Excess(deficiency) of revenues over(under) expenditures	48,710	520,019	(217,005)	351,724
Other financing sources(uses):				
Transfers in	0	0	200,000	200,000
Transfers out	0	(200,000)	0	(200,000)
Sale of equipment	19,124	0	0	19,124
Total other financing sources(uses)	<u>19,124</u>	<u>(200,000)</u>	<u>200,000</u>	<u>19,124</u>
Net change in fund balances	67,834	320,019	(17,005)	370,848
Fund balance beginning of year	529,619	292,715	157,310	979,644
Fund balance end of year	<u>\$ 597,453</u>	<u>612,734</u>	<u>140,305</u>	<u>1,350,492</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 370,848

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on asset disposal in the current year are as follows:

Capital expenditures	\$ 101,637	
Depreciation expense	(239,814)	
Loss on asset disposal	<u>(25,352)</u>	(163,529)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:

Repaid		240,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

530

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Early retirement		(28,544)
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

7,128

Changes in net assets of governmental activities (page 14)

\$ 426,433

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2007

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ 9,565	9,118	18,683
Accounts receivable	0	6,267	6,267
Inventories	5,812	0	5,812
Capital assets, net of accumulated depreciation(Note 4)	11,628	0	11,628
TOTAL ASSETS	27,005	15,385	42,390
LIABILITIES			
Accounts payable	350	462	812
Salaries and benefits payable	0	3,322	3,322
Unearned revenue	2,972	0	2,972
TOTAL LIABILITES	3,322	3,784	7,106
NET ASSETS			
Invested in capital assets	11,628	0	11,628
Unrestricted	12,055	11,601	23,656
TOTAL NET ASSETS	\$ 23,683	11,601	35,284

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Latch Key	Total
OPERATING REVENUE:			
Charges for service	\$ 170,754	30,687	201,441
OPERATING EXPENSES:			
Support services:			
Student services:			
Supplies	0	1,074	1,074
Other	0	172	172
Administration services:			
Services	0	395	395
Total support services	0	1,641	1,641
Non-instructional programs:			
Salaries	129,506	27,659	157,165
Benefits	22,430	3,533	25,963
Services	5,315	44	5,359
Supplies	125,245	3,687	128,932
Other	913	0	913
Depreciation	5,106	0	5,106
Total non-instructional programs	288,515	34,923	323,438
TOTAL OPERATING EXPENSES	288,515	36,564	325,079
OPERATING LOSS	(117,761)	(5,877)	(123,638)
NON-OPERATING REVENUES:			
Interest	359	422	781
State sources	4,131	4,115	8,246
Federal sources	125,205	0	125,205
TOTAL NON-OPERATING REVENUES	129,695	4,537	134,232
Change in net assets	11,934	(1,340)	10,594
Net assets at beginning of year	11,749	12,941	24,690
Net assets end of year	\$ 23,683	11,601	35,284

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 170,804	0	170,804
Cash received from miscellaneous operating activities	301	27,668	27,969
Cash payments to employees for services	(157,019)	(29,970)	(186,989)
Cash payments to suppliers for goods or services	(111,291)	(5,141)	(116,432)
Net cash used in operating activities	<u>(97,205)</u>	<u>(7,443)</u>	<u>(104,648)</u>
Cash flows from non-capital financing activities:			
State grants received	4,131	4,115	8,246
Federal grants received	101,881	0	101,881
Net cash provided by non-capital financing activities	<u>106,012</u>	<u>4,115</u>	<u>110,127</u>
Cash flows from investing activities:			
Interest on investments	359	422	781
Cash flows from capital financing activities:			
Purchase of assets	(9,776)	0	(9,776)
Net decrease in cash and cash equivalents	(610)	(2,906)	(3,516)
Cash and cash equivalents at beginning of year	10,175	12,024	22,199
Cash and cash equivalents at end of year	<u>\$ 9,565</u>	<u>9,118</u>	<u>18,683</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (117,761)	(5,877)	(123,638)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	23,324	0	23,324
Depreciation	5,106	0	5,106
Increase in inventories	(3,035)	0	(3,035)
Increase in accounts receivables	0	(3,019)	(3,019)
Increase(Decrease) in accounts payable	(107)	231	124
Increase(Decrease) in salaries and benefits payable	(5,083)	1,222	(3,861)
Increase in unearned revenues	351	0	351
Net cash used in operating activities	<u>\$ (97,205)</u>	<u>(7,443)</u>	<u>(104,648)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	<u>\$ 9,565</u>	<u>9,118</u>	<u>18,683</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			

During the year ended June 30, 2007, the District received Federal commodities valued at \$23,324.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2007

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ 529
Due from other governments	4,200
TOTAL ASSETS	<u>\$ 4,729</u>
LIABILITIES	
Accounts payable	\$ 30
Due to other groups	4,699
TOTAL LIABILITIES	<u>\$ 4,729</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Logan-Magnolia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Logan and Magnolia, Iowa, and the predominate agricultural territory in Harrison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Logan-Magnolia Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Logan-Magnolia Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The District's proprietary funds include the School Nutrition Fund and Latch Key. The School Nutrition Fund is used to account for the food service operations of the District. Latch Key is used to account for child care services for the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The Government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ 1,462,085

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 200,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 575,000	0	0	575,000
Total capital assets not being depreciated	575,000	0	0	575,000
Capital assets being depreciated:				
Buildings	7,536,592	0	0	7,536,592
Land improvements	14,993	8,908	0	23,901
Machinery and equipment	1,006,962	92,729	127,157	972,534
Total capital assets being depreciated	8,558,547	101,637	127,157	8,533,027
Less accumulated depreciation for:				
Buildings	1,491,900	150,732	0	1,642,632
Land improvements	750	1,195	0	1,945
Machinery and equipment	700,657	87,887	101,805	686,739
Total accumulated depreciation	2,193,307	239,814	101,805	2,331,316
Total capital assets being depreciated, net	6,365,240	(138,177)	25,352	6,201,711
Governmental activities capital assets, net	\$ 6,940,240	(138,177)	25,352	6,776,711

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 157,884	9,776	7,615	160,045
Less accumulated depreciation	150,926	5,106	7,615	148,417
Business-type activities capital assets, net	\$ 6,958	4,670	0	11,628

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,036
Special		1,890
Other		13,826
Support services:		
Student		340
Instructional staff		5,127
Operation and maintenance of plant services		6,009
Transportation		55,659
		<u>87,887</u>
Unallocated depreciation		151,927
		<u>239,814</u>
Total governmental activities depreciation expense		\$ 239,814
Business-type activities:		
Food services		\$ 5,106

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,490,000	0	240,000	3,250,000	235,000
Early retirement	2,052	30,596	2,052	30,596	5,480
Total	\$ 3,492,052	30,596	242,052	3,280,596	240,480

General Obligation Bonds Payable

Details of the District's June 30, 2007 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2002		
		Principal	Interest	Total
2008	2.80-3.00 %	\$ 235,000	65,280	300,280
2009	3.00-3.05	250,000	58,270	308,270
2010	3.05-3.25	255,000	50,599	305,599
2011	3.25-3.35	270,000	42,274	312,274
2012	3.35-3.45	280,000	33,297	313,297
2013	3.45-3.55	285,000	23,616	308,616
2014	3.55-3.70	295,000	13,392	308,392
2015	3.70	145,000	2,683	147,683
Total		\$ 2,015,000	289,411	2,304,411

Year Ending June 30,	Interest Rate	Bond issue August 1, 2003		
		Principal	Interest	Total
2008	-	% \$ -	55,257	55,257
2009	-	-	55,258	55,258
2010	-	-	55,257	55,257
2011	-	-	55,258	55,258
2012	-	-	55,257	55,257
2013	-	-	55,258	55,258
2014	-	-	55,257	55,257
2015	-	-	55,258	55,258
2016	4.00	130,000	55,257	185,257
2017	4.10	140,000	50,058	190,058
2018	4.25	145,000	44,318	189,318
2019	4.40	150,000	38,155	188,155
2020	4.50	155,000	31,555	186,555
2021	4.60	165,000	24,580	189,580
2022	4.70	170,000	16,990	186,990
2023	5.00	180,000	9,000	189,000
Total		\$ 1,235,000	711,972	1,946,972
Total		\$ 3,250,000	1,073,133	4,323,133

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2007, totaled \$2,052.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$196,012, \$183,798, and \$172,860, respectively, equal to the required contributions for each year.

(7) Risk Management

Logan-Magnolia Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$208,214 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,225,422	202,222	3,427,644	3,315,059	3,315,059	112,585
State sources	3,397,183	8,246	3,405,429	3,795,325	3,795,325	(389,896)
Federal sources	161,114	125,205	286,319	366,000	366,000	(79,681)
Total revenues	6,783,719	335,673	7,119,392	7,476,384	7,476,384	(356,992)
Expenditures:						
Instruction	3,978,691	0	3,978,691	4,360,624	4,360,624	381,933
Support services	1,846,488	1,641	1,848,129	2,380,335	2,380,335	532,206
Non-instructional programs	0	323,438	323,438	391,100	391,100	67,662
Other expenditures	606,816	0	606,816	820,453	820,453	213,637
Total expenditures	6,431,995	325,079	6,757,074	7,952,512	7,952,512	1,195,438
Excess(deficiency) of revenues over(under) expenditures	351,724	10,594	362,318	(476,128)	(476,128)	838,446
Other financing sources, net	19,124	0	19,124	5,000	5,000	14,124
Excess(deficiency) of revenues and other financing sources over(under) expenditures	370,848	10,594	381,442	(471,128)	(471,128)	852,570
Balance beginning of year	979,644	24,690	1,004,334	759,292	759,292	245,042
Balance end of year	\$ 1,350,492	35,284	1,385,776	288,164	288,164	1,097,612

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 16,934	74,015	39,265	130,214	11,930	142,144
Receivables:						
Property tax:						
Current year delinquent	1,519	0	646	2,165	3,178	5,343
Succeeding year	100,000	0	34,372	134,372	156,338	290,710
TOTAL ASSETS	\$ 118,453	74,015	74,283	266,751	171,446	438,197
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	7,182	0	7,182	0	7,182
Deferred revenue:						
Succeeding year property tax	100,000	0	34,372	134,372	156,338	290,710
TOTAL LIABILITIES	100,000	7,182	34,372	141,554	156,338	297,892
Unreserved fund balances	18,453	66,833	39,911	125,197	15,108	140,305
TOTAL LIABILITIES AND FUND BALANCES	\$ 118,453	74,015	74,283	266,751	171,446	438,197

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant & Equipment Levy	Total Special Revenue	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 80,072	0	34,064	114,136	167,559	281,695
Other	12,171	250,694	1,145	264,010	3,456	267,466
TOTAL REVENUES	92,243	250,694	35,209	378,146	171,015	549,161
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	60,400	0	0	60,400	0	60,400
Other instruction	0	267,944	0	267,944	0	267,944
Support services:						
Operation and maintenance of plant services	32,604	0	700	33,304	0	33,304
Transportation services	11,383	0	0	11,383	0	11,383
Other expenditures:						
Facilities acquisition	0	0	25,327	25,327	0	25,327
Long-term debt:						
Principal	0	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	0	127,808	127,808
TOTAL EXPENDITURES	104,387	267,944	26,027	398,358	367,808	766,166
Excess (deficiency) of revenues over (under) expenditures	(12,144)	(17,250)	9,182	(20,212)	(196,793)	(217,005)
Other financing sources:						
Transfer in	0	0	0	0	200,000	200,000
Net change in fund balances	(12,144)	(17,250)	9,182	(20,212)	3,207	(17,005)
Fund balance beginning of year	30,597	84,083	30,729	145,409	11,901	157,310
Fund balance end of year	\$ 18,453	66,833	39,911	125,197	15,108	140,305

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 2,686	9,530	12,272	(56)
Cross country	75	0	340	(265)
Drill team	1,570	2,352	2,413	1,509
Football cheerleading	0	1,037	450	587
Basketball cheerleading	0	700	700	0
Wrestling cheerleading	0	485	460	25
Basketball fundraiser	225	3,925	2,571	1,579
All sports activity pass	7,953	62,878	59,878	10,953
Flag football	2,856	3,955	4,199	2,612
Baseball fundraiser	3,603	7,847	8,650	2,800
Girls track fundraiser	500	0	0	500
Wrestling fundraiser	2,952	2,698	4,166	1,484
Elementary basketball	285	0	0	285
Girls basketball fundraiser	353	386	1,347	(608)
Volleyball fundraiser	3,159	2,226	2,229	3,156
Softball fundraiser	249	8,578	8,143	684
Concessions	10,741	38,003	35,456	13,288
Petty cash	225	0	0	225
Interest	2,445	2,615	4,898	162
Art club	225	0	0	225
Chess club fundraiser	71	368	395	44
Annual	8,826	7,662	5,609	10,879
Swing choir	0	1,965	1,455	510
Band uniform fundraiser	152	0	0	152
Band fundraiser	2,484	12,259	9,815	4,928
Vocal music fundraiser	3,532	11,223	9,979	4,776
Instrumental music	419	0	0	419
Flag corp fundraiser	0	570	183	387
AMOL	990	190	367	813
Science club	146	1,265	1,364	47
Spanish club	371	96	223	244
Spanish class fundraiser	806	0	0	806
Hurricane Katrina	1,126	0	1,126	0
Student council	1,168	2,684	3,644	208
Community bank grant	1	954	954	1
Key club	773	78	460	391
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
FCCLA	781	11,281	15,720	(3,658)
HS class of 2006	824	614	1,149	289
HS class of 2007	3,101	0	640	2,461
HS class of 2008	0	16,654	15,522	1,132
HS class of 2009	199	0	0	199
HS class of 2010	2,595	0	601	1,994
Washington D.C. trip	14,950	35,616	50,566	0
Total	\$ 84,083	250,694	267,944	66,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 0	16,975	16,446	529
Due from other governments	0	4,200	0	4,200
TOTAL ASSETS	\$ 0	21,175	16,446	4,729
LIABILITIES				
Accounts payable	\$ 0	30	0	30
Due to other groups	0	4,699	0	4,699
TOTAL LIABILITIES	\$ 0	4,729	0	4,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,350,551	2,016,915	2,133,357	1,794,768
Tuition	352,693	331,392	398,134	354,575
Other	522,178	414,214	277,540	318,645
State sources	3,397,183	3,137,954	2,890,215	2,666,137
Federal sources	161,114	164,370	542,710	888,708
Total	<u>\$ 6,783,719</u>	<u>6,064,845</u>	<u>6,241,956</u>	<u>6,022,833</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,465,935	2,457,997	2,292,100	2,013,911
Special instruction	774,728	739,041	762,837	677,270
Other instruction	738,028	473,612	325,700	493,618
Support services:				
Student services	161,302	147,020	163,577	156,440
Instructional staff services	204,441	148,876	170,882	122,858
Administration services	579,851	567,910	517,787	521,660
Operation and maintenance of plant services	558,481	489,007	477,634	467,182
Transportation services	342,413	434,423	266,783	221,415
Other	0	0	16,496	0
Non-instructional	0	0	0	170
Other expenditures:				
Facilities acquisitions	30,794	134,985	841,624	1,201,073
Long Term Debt:				
Principal	240,000	240,000	220,000	215,000
Interest	127,808	133,627	138,660	133,748
AEA flow-through	208,214	191,247	182,563	177,364
Total	<u>\$ 6,431,995</u>	<u>6,157,745</u>	<u>6,376,643</u>	<u>6,401,709</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Logan-Magnolia Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan-Magnolia Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Logan-Magnolia Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Logan-Magnolia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Logan-Magnolia Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Logan-Magnolia Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

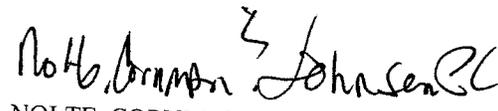
As part of obtaining reasonable assurance about whether Logan-Magnolia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Logan-Magnolia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Logan-Magnolia Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Logan-Magnolia Community School District and other parties to whom Logan-Magnolia Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Logan-Magnolia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 25, 2008

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-07 Gate Admissions - Pre-numbered tickets are not being used for all performances and athletic events held on District grounds.

Recommendation - The District should adopt a Board policy addressing internal control procedures for handling cash for all performances and athletic events. The policy, at a minimum, should include the following:

- a. Change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in ticket sales/cash collecting process. The individuals responsible for ticket sales/cash collecting during the event should be instructed not to leave the change box unattended under any circumstances.
- d. Upon completion of the event, cash should be reconciled by two or more individuals to the number of pre-numbered tickets sold during the event and the amount of beginning cash in the change box.
- e. To reconcile, the next unsold ticket minus the beginning ticket number determines the actual number of tickets sold. The number of tickets sold times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be small
- f. A reconciliation sheet should be completed and signed off on by all individuals responsible for counting and reconciling cash.
- g. The change box should be turned into the Activity Director or designee responsible for the accounting function at the event.

- h. The Activity Director or designee should be required to either take to the night deposit at the bank or lock the event proceeds in the District's vault until a deposit can be made the following business day.
- i. A pre-numbered receipt should be written by an individual in the Business Office the next day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically test or review the gate admissions process to ensure that the adopted procedures are being followed properly.
- k. Segregation of duties should be maintained as much as possible throughout the gate admissions process.

Response - The District will structure a Board Policy that will cover the issues addressed. Presently, we do the procedures recommended except the pre-numbered tickets. We will continue to look at a procedure to include pre-numbered tickets at all events.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-07 Financial Condition -The Student Activity Fund contained four negative account balances totaling \$4,587.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We have discussed the issue of negative account balances with the sponsors and the importance of keeping positive balances. We are currently working on making account balances positive for the end of the fiscal 2008 year.

Conclusion - Response accepted.